

## Revolving Credit

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Retail stores have extended credit of some type to customers for years. But many stores which offer retail charge agreements have changed their accounts giving customers both the convenience of a regular 30-day charge account and credit features of a "revolving" or "optional" charge account. When the total account is not paid within 30 days the customer is automatically charged  $1\frac{1}{2}$  percent per month on the unpaid balance or a true rate of 18 percent per year.

Know your credit cost. You may prefer to use your money in a different way.

### Retail Charge Agreements

The customer signs an agreement when the account is opened. This becomes the continuing basic contract underlying all use made of the account.

He may be assigned a top dollar limit, depending on his credit rating and desires. He may agree to pay within 30 days any amount he "charges over the limit." Some charge agreements require a percentage of the actual balance outstanding on your bill at the end of each billing cycle, such as 10 percent, 15 percent, etc. New purchases may be made at anytime, so long as the total obligation remains within the limit.

Other retail charge agreements give the advantage of 30-day account or an account on which one-half, one-third, one-fourth, one-fifth or one-sixth of the balance is paid each month with a minimum payment of \$10 and the right to pay a greater part of all the balance at any time.

Payments may be made in installments of varying amounts, according to agreement terms. Some retail charge agreements have a set payment schedule, called the "bracketed" form.

If the unpaid balance is:	The scheduled monthly payment will be:
\$ .01- \$ 10	Balance
10.01- 100	\$10
100.01- 150	15
150.01- 200	20
200.01- 250	25
300.01- 350	35
over \$350	$1/10$ of account balance

In all retail charge agreements, the customer may pay his total bill within 30 days of the date of each billing cycle (which need not be a calendar month) with no *direct* extra charges.

### Billing Cycle

The billing cycle is a system stores use to spread out the work of mailing monthly bills to customers. They separate accounts into groups, usually by alphabet, and each group is notified to expect monthly bills at certain regular intervals—not necessarily on or near the first of the month.

### Time Price Differential

Each month a "time price differential" or "service charge" is added to the amount carried over unpaid from the total billed last month.

The time price differential of  $1\frac{1}{2}$  percent or 1 percent is not applied to additional purchases made in the current month, rather just to the sum left unpaid from the last billing. This is not an interest charge, remember, but a service charge to help cover bookkeeping and other costs.

If any unpaid balance up to \$500 is left unpaid for more than 30 days, a "time price differential" or "service charge" of  $1\frac{1}{2}$  percent (15 cents per \$10 per month) is added to that part of the bill left unpaid. This  $1\frac{1}{2}$  percent per month paid on the unpaid balance amounts to a true interest rate of 18 percent a year.

On any amount above \$500 unpaid for more than 30 days a "time price differential" or "service charge" of 1 percent (10 cents per \$10 per month) is added. This amounts to a true interest rate of 12 percent per year.

The time price differential may be computed for all unpaid balances within a range of not over \$10 on the basis of the median amount within the range. This means that a merchant may set up a schedule in units of 10, such as 0-\$10, mid-point \$5; \$10 to \$20, mid-point \$15; \$20 to \$30, mid-point \$25; etc. If a balance of \$11.33 is left, he may apply the time price differential to \$15 or if the balance is \$18.75, the mid-point would still be

applied to \$15. The charge would be figured by multiplying  $1\frac{1}{2}$  percent by \$15 which would amount to 23 cents.

The law allows a minimum time price differential of 75 cents per month for any billing cycle in which a balance is due. If the unpaid balance is any amount below \$50, the merchant may charge 75 cents. Some retail charge agreements do not provide for a minimum charge of 75 cents; therefore, the charge is figured on the exact amount.

If the buyer fails to pay the installments under the retail sale agreement, the seller has the right to demand payment of the whole balance on the account. If the account is referred to an attorney for collection, the buyer agrees to pay a reasonable attorney's fee, plus court costs.

#### Example of a retail sales agreement

##### RETAIL CHARGE AGREEMENT Short Form

Approved by  
Consumer Credit Commissioner  
of Texas for use under  
Consumer Credit Code

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FAVORITE FASHIONS INC.  
P. O. Box 1729                      Nowhere, Texas 77801

(Name and business address of SELLER  
—hereinafter referred to as SELLER)

and \_\_\_\_\_  
(Name and address of BUYER—hereinafter  
referred to as BUYER)

hereby agrees that that all GOODS AND SERVICES purchased by BUYER from SELLER shall be subject to the terms and provisions of this Retail Charge Agreement, to-wit:

1. ALL GOODS AND SERVICES may be paid in full within 30 days from the billing date shown on statement of purchases made by BUYER from time to time. If said GOODS AND SERVICES are not paid for within 30 days from billing date, BUYER shall pay on the unpaid balance thereof a Time Price Differential not to exceed the Time Price Differential authorized by Article 6.03 of the Consumer Credit Code of 15 cents per \$10 per month on that part of the unpaid balance which does not exceed \$500 and that part of the balance in excess of \$500 at the rate of 10 cents per \$10 per month. A minimum Time Price Differential not in excess of 75 cents per month may be charged, received and collected for any billing cycle in which a balance is due. The unpaid balance on all purchases shall be payable in minimum

monthly installments of \$10 or in \_\_\_\_\_ equal monthly installments, whichever is the larger sum.

2. If BUYER fails to pay the installments under this Agreement when due, SELLER shall have the right at SELLER'S option to accelerate maturity of balance due under this Agreement, repossess and sell GOODS AND SERVICES in accordance with the applicable provisions of the Consumer Credit Code of Texas, and BUYER shall pay all attorney's fees, court costs and disbursements in accordance with the terms of said Code.

"Notice to the BUYER—DO NOT SIGN THIS AGREEMENT BEFORE YOU READ IT OR IF IT CONTAINS BLANK SPACES. YOU ARE ENTITLED TO A COPY OF THE AGREEMENT YOU SIGNED. KEEP THIS AGREEMENT TO PROTECT YOUR LEGAL RIGHTS."

BUYER hereby acknowledges that this Agreement was completed and contained no blanks before it was signed by BUYER and a copy thereof was delivered to BUYER at the time this Agreement was signed.

DATED this the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
(Signature of BUYER)                      (Signature of SELLER)

#### Insurance

Credit life insurance and credit health and accident insurance may be requested or required in any retail charge agreement. Only one policy of health and accident insurance may be in force with respect to any agreement at any one time.

#### Cautions to Take

- The privilege of having the item is worth the additional cost.
- Shop for the cheapest plan.
- Pay the total amount owed as quickly as possible to avoid additional charges.
- Keep up with the balance of your account.
- Avoid perpetual indebtedness.

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#### Reference

Texas Consumer Credit Code, January 1, 1968.